

REGISTERED NUMBER: 07640689 (England and Wales)

REPORT OF THE DIRECTORS AND  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2014  
FOR  
CASCADE HYDRO LIMITED

TUESDAY



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**for the year ended 31<sup>st</sup> December 2014**

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**CASCADE HYDRO LIMITED**

**COMPANY INFORMATION**  
**for the year ended 31<sup>st</sup> December 2014**

**DIRECTORS:**

Mr M F Keegan  
Mr S C Morris

**SECRETARY:**

Ms M J Bravo Quiterio

**REGISTERED OFFICE:**

21 Navigation Business Village  
Preston,  
Lancashire, PR2 2YP

**REGISTERED NUMBER:**

07640689 (England and Wales)

**AUDITORS:**

Grant Thornton UK LLP  
Grant Thornton House  
Euston Square  
Mellon Street  
London  
NW1 2EP

**REPORT OF THE DIRECTORS**  
**for the year ended 31<sup>st</sup> December 2014**

The directors present their report with the financial statements of the company for the year ended 31<sup>st</sup> December 2014.

**PRINCIPAL ACTIVITY**

The principal activity of the company in the year under review was that of acting as a holding company for power generation interests in Peru.

**DIRECTORS**

The directors who served during the year and to the date of this report were;

None.

Other changes in directors holding office are as follows;

A J S Morris resigned 23<sup>rd</sup> October 2015)

M F Keegan (appointed 23<sup>rd</sup> July 2015)

S C Morris (appointed 23<sup>rd</sup> July 2015)

P R S Earl (resigned 29<sup>th</sup> June 2015)

E S Shaw (resigned 1<sup>st</sup> August 2015)

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**GOING CONCERN**

The directors have concluded that a material uncertainty exists surrounding the ability of the holding company, Rurelec PLC, to provide financial support for the company, that casts significant doubt upon the company's ability to continue as a going concern and that, therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business. However, given the ongoing support from short term loan facility lender to Rurelec PLC, progress on the sale of the Group's assets and the fact that the Directors of Rurelec PLC are pursuing alternative sources of finance, the directors continue to adopt the going concern basis of accounting.

**DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**AUDITORS**

The auditors, Grant Thornton UK LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

**ON BEHALF OF THE BOARD:**



.....  
S C Morris - Director

Date: 11/2/16

## REPORT OF THE INDEPENDENT AUDITORS' TO THE MEMBERS OF CASCADE HYDRO LIMITED

We have audited the financial statements of Cascade Hydro Limited for the year ended 31 December 2014 which comprise the Balance sheet, the Profit and Loss account and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate)

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Emphasis of matter - Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern. The company incurred a net loss of £4,591,921 and is reliant on the ongoing support of its parent entity Rurelec PLC. However, a material uncertainty exists surrounding the ability of Rurelec PLC to provide financial support for the company. These conditions, along with the other matters explained in note 1 to the financial statements and the Directors' Report, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given by the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.
- the directors were not entitled to prepare financial statements in accordance with the small companies regime and take advantage of the small companies exemption from the requirement to prepare a Strategic Report.

Christopher Smith  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
London  
Date.....16/2/16.....



**PROFIT AND LOSS ACCOUNT**  
**for the year ended 31<sup>st</sup> December 2014**

	Notes	31.12.14 £	31.12.13 £
<b>TURNOVER</b>		-	-
Administrative expenses	3	<u>(4,406,658)</u>	<u>(71,813)</u>
		(4,406,658)	(71,813)
Other operating income		<u>124,521</u>	<u>11,776</u>
<b>OPERATING LOSS</b>	4	(4,282,137)	(60,037)
Interest receivable and similar income		<u>-</u>	<u>163,129</u>
		<u>(4,282,137)</u>	<u>103,092</u>
Interest payable and similar charges	5	<u>(309,784)</u>	<u>(31,700)</u>
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(4,591,921)	71,392
Tax on profit on ordinary activities	6	<u>-</u>	<u>-</u>
<b>(LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>		<u><u>(4,591,921)</u></u>	<u><u>71,392</u></u>

**CONTINUING OPERATIONS**

None of the company's activities were acquired or discontinued during the current year or previous year.

**TOTAL RECOGNISED GAINS AND LOSSES**

The company has no recognised gains or losses for the current year or previous year, other than those included in the profit and loss account.

**BALANCE SHEET**  
**31<sup>st</sup> December 2014**

		31.12.14		31.12.13	
	Notes	£	£	£	£
<b>FIXED ASSETS</b>					
Investments	7		243		30,001
<b>CURRENT ASSETS</b>					
Debtors	8	7,883,857		6,485,426	
Cash at bank		<u>149</u>		<u>156</u>	
		7,884,006		6,485,582	
<b>CREDITORS</b>					
Amounts falling due within one year	9	<u>12,305,002</u>		<u>6,344,415</u>	
<b>NET CURRENT (LIABILITIES)/ASSETS</b>			<u>(4,420,996)</u>		<u>141,167</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>(4,420,753)</u>		<u>171,168</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	10		100,000		100,000
Profit and loss account	11		<u>(4,520,753)</u>		<u>71,168</u>
<b>SHAREHOLDERS' (DEFECIT)/FUNDS</b>	15		<u>(4,420,753)</u>		<u>171,168</u>

The financial statements were approved by the Board of Directors on 11/2/16 and were signed on its behalf by:



.....  
S C Morris - Director

**Company Registration No.: 07640689**

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31<sup>st</sup> December 2014**

**1. ACCOUNTING POLICIES**

**Basis of preparation of financial statements, including going concern**

The company is itself a subsidiary company, whose ultimate parent company publishes consolidated accounts, and is therefore exempt from the requirement to prepare group accounts by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the company as an individual undertaking and not about its group.

The directors have concluded that a material uncertainty exists surrounding the ability of the holding company, Rurelec PLC, to provide financial support for the company, that casts significant doubt upon the company's ability to continue as a going concern and that, therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business. However, given the ongoing support from short term loan facility lender to Rurelec PLC, progress on the sale of the Group's assets and the fact that the Directors of Rurelec PLC are pursuing alternative sources of finance, the directors continue to adopt the going concern basis of accounting.

**Preparation of consolidated financial statements**

The financial statements contain information about Cascade Hydro Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 400 of the Companies Act 2006 from the requirements to prepare consolidated financial statements as it and its subsidiary undertaking are included by full consolidation in the consolidated financial statements of its parent, Rurelec PLC, a company registered in England and Wales.

**Cash flow**

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

**Deferred tax**

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation. A net deferred asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax assets and liabilities are calculated at tax rates expected to be effective at the time the timing differences are expected to reverse. Deferred tax assets and liabilities are not discounted.

**Foreign currencies**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange gains and losses are recognised in the profit and loss account.

**Investments**

Fixed asset investments are stated at cost less provision for diminution in value.

**Compliance with accounting standards**

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

**2. STAFF COSTS**

There were no staff costs for the year ended 31<sup>st</sup> December 2014 nor for the year ended 31<sup>st</sup> December 2013.

**3. ADMINISTRATIVE EXPENSES**

	31.12.14	31.12.13
	£	£
Administrative expenses	<u>(4,406,658)</u>	<u>Nil</u>

Following the commitment of the Group to restructure the business, two disposals have been identified one of which is the Canchayllo run-of-river hydro plant with the rest of the assets included within the second group.

The Company completed the construction of the 5.3MW Canchayllo run-of-river hydro-electric project in Peru during December 2014 and the plant entered commission during January 2015. In July 2015 the Company completed the sale of the plant to Energias Renovables de los Andes SAC for US \$6.8 million. In addition a further US \$1 million is due to be received by way of reimbursement of amounts advanced towards the completion of the plant.



**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**for the year ended 31<sup>st</sup> December 2014**

At 20<sup>th</sup> October 2015 the Group has been in discussions with a number of potential buyers for the rest of the Group's Peruvian assets and based on the anticipated net proceeds a provision has been made of £3,838,109 against the carrying value of loans to 99.99% owned Peruvian subsidiary Cascade Hydro Power S.A.C.

**4. OPERATING LOSS**

The operating loss is stated after charging/(crediting):

	31.12.14 £	31.12.13 £
Foreign exchange differences	<u>124,521</u>	<u>11,776</u>

**5. INTEREST PAYABLE AND SIMILAR EXPENSE**

	31.12.14 £	31.12.13 £
Other interest expense	<u>309,784</u>	<u>31,700</u>

**6. TAXATION**

Analysis of the tax charge

No liability to UK corporation tax arose on ordinary activities for the year ended 31<sup>st</sup> December 2014 nor for the year ended 31<sup>st</sup> December 2013.

**7. FIXED ASSET INVESTMENTS**

	Shares in group undertakings £
<b>COST</b>	
At 1 <sup>st</sup> January 2014	
Additions	<u>30,001</u>
At 31 <sup>st</sup> December 2014	<u>243</u>
<b>NET BOOK VALUE</b>	
At 31 <sup>st</sup> December 2014	<u>243</u>
At 31 <sup>st</sup> December 2013	<u>30,001</u>

The company's investments at the Balance Sheet date in the share capital of companies include the following:

**Cascade Hydro Power S.A.C.**

Country of incorporation: Peru

Nature of business: Holding company

Class of shares:	% holding	31.12.14 £	31.12.13 £
Ordinary	99.99		
Aggregate capital and reserves		<u>(2,483,897)</u>	<u>1</u>

The company owns 99.99% of the share capital of Cascade Hydro Power S.A.C., a company incorporated in Peru under registration number 12649544.

**8. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	31.12.14 £	31.12.13 £
Amounts due from group undertakings	7,817,506	5,733,786
Other debtors	<u>66,351</u>	<u>751,640</u>
	<u>7,883,857</u>	<u>6,485,426</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**for the year ended 31<sup>st</sup> December 2014**

**9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	31.12.14	31.12.13
	£	£
Bank loans and overdrafts	550	-
Amounts owed to group undertakings	9,481,363	5,622,715
Other creditors	2,670,464	569,950
Directors' current accounts	152,625	125,000
Accruals and deferred	-	26,750
	12,305,002	6,344,415

**10. CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:	Nominal value:	31.12.14	31.12.13
Number: Class:		£	£
100,000 Ordinary	1	100,000	100,000

**11. RESERVES**

	Profit and loss account £
At 1 <sup>st</sup> January 2014	71,168
Deficit for the year	(4,591,921)
At 31 <sup>st</sup> December 2014	(4,520,753)

**12. ULTIMATE PARENT COMPANY**

The company is a wholly owned subsidiary of Rurelec PLC, a company registered in England and Wales under registration number 4812855.

**13. DIRECTORS' ADVANCES, CREDITS AND GUARANTEES**

The following advances from directors subsisted during the years ended 31<sup>st</sup> December 2014 and 31<sup>st</sup> December 2013:

	31.12.14	31.12.13
	£	£
<b>A J S Morris</b>		
Balance outstanding at start of year	50,000	-
Amounts advanced	-	50,000
Amounts repaid	-	-
Balance outstanding at end of year	50,000	50,000
<b>P R S Earl</b>		
Balance outstanding at start of year	75,000	-
Amounts advanced	-	75,000
Amounts repaid	(75,000)	-
Balance outstanding at end of year	-	75,000
<b>Mrs E R Shaw</b>		
Balance outstanding at start of year	-	-
Amounts advanced	94,383	-
Amounts repaid	-	-
Balance outstanding at end of year	94,383	-

Interest was accrued during the year on directors' loan accounts as follows:

- A J S Morris: £5,137
- E R Shaw: £3,105

Since the year end A J S Morris and E R Shaw's principal has been repaid, interest remains outstanding.

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**for the year ended 31st December 2014**

**14. RELATED PARTY DISCLOSURES**

As at the year end, an amount of £11,193,535 (2013: £4,586,960) was due from Cascade Hydro Power S.A.C. (CHPSAC), a 99.99% owned subsidiary incorporated in Peru under registration number 205443394379, in respect of a loan and development expenses incurred by the company. A provision of £3,838,109 has been made against this amount as stated in note 4.

As at the year end, an amount of £105,137 (2013: £114,407) was due from Empresa de Generacion Electrica Canchaylo S.A.C. (EGECSAC), a company incorporated in Peru under registration number 20545538629, in respect of a loan and development expenses incurred by the company. EGECSAC is 93% owned by CHPSAC.

As at the year end, an amount of £356,943 (2013: £1,032,419) was due from Electricidad Andina S.A. (EASA), a company incorporated in Peru under registration number 20348922298, in respect of a loan and development expenses incurred by the company. EASA is 99.99% owned by CHPSAC.

As at the year end, an amount of £9,481,363 (2013: £5,622,715) was due to the parent company, Rurelec PLC, in respect of a loan.

**15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	31.12.14 £	31.12.13 £
(Loss)/Profit for the financial year	(4,591,921)	71,392
Net (reduction)/addition to shareholders' funds	(4,591,921)	71,392
Opening shareholders' funds	171,168	99,776
Closing shareholders' (deficit)/funds	<u>(4,420,753)</u>	<u>171,168</u>

**16. POST BALANCE SHEET EVENTS**

Since the date of balance sheet the following have occurred:

Short term support for the Parent from it's lender has been received (£600,000 in loan and it's extension).

Discussions for the sale of subsidiary undertakings are ongoing, but not yet finalised.

The prospects for the recovery of Joint Venture undertakings of the Parent have improved with the relaxation of Exchange Controls in Argentina.